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Supreme Court of The United States

October Term, A. D. 1942

No. 994

No. 995

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THE MERCANTILE CORPORATION,

*Petitioner*

vs.

MINNEAPOLIS HONEYWELL REGULATOR COMPANY,

*Respondent*

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*On Petition for Writ of Habeas Corpus and for Writ of Certiorari  
to the United States Circuit Court of Appeals for the Eighth Circuit*

PETITIONER'S REPLY TO RESPONDENT'S BRIEF.

GEORGE F. WILKINSON,

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THE MERCOID CORPORATION,

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ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES  
CIRCUIT COURT OF APPEALS FOR THE SEVENTH CIRCUIT

**PETITIONER'S REPLY TO RESPONDENT'S  
BRIEF.**

Respondent admits that the "advance in the art" of the Freeman patent "in suit resides in the "provision of elements in a new arrangement for a particular sequence of operation"; that the licenses it has granted "provide for the payment of a royalty of 25 cents on each specifically defined 'combination furnace control' " (which is merely one of the several elements in the "sequence of operations").

and that the "licenses fix minimum prices at which the licensees sell the defined combustion furnace controls."

Respondent therefore admits that its income under its patent is merely from one of the elements of the "new arrangement" of elements, which constitutes Freeman's "advance in the art," and further admits that it fixes the selling prices, not on the combination of elements alleged to be covered by the patent, but on merely one element not *per se* within the patent monopoly.

These admissions clearly support Petitioner's contention that the judgment of the Appellate Court in holding lawful the practices of the Respondent is in conflict with decisions of other Circuit Courts of Appeals, and inconsistent with decisions of this Court.

This Court has this day granted Petitioner's petition for writ of certiorari in *Mercoid Corp., Petitioner, vs. Mid Continent Investment Company and Minneapolis-Honeywell Regulator Co., Respondents*, Nos. 953-974, which presents the same questions as presented in the petition in the instant case, except that in the instant case there is the additional point that the practice of the Respondent includes fixing prices on an unpatented part, *i. e.*, the furnace control, which is merely one of the several elements of the patented system.

### **First Question — Validity of Freeman Patent.**

Respondent contends that in petitioning this Court for consideration of the validity of the Freeman patent, Petitioner is merely seeking a review of facts. If there were an issue as to the disclosures of the prior art patents, in view of which Petitioner urges that the Freeman patent is invalid as involving no invention, then Respondent's contention would be correct, but as there is no such issue of fact, the question whether Freeman made an inven-

tion is one of law. This Court in *Market Street Ry. Co. v. Roulley*, 155 U. S. 621, 625, stated the law as follows:

"The defendant put in evidence a number of patents prior in date to the plaintiff's, and asked the court to compare the inventions and devices therein described with those claimed by the plaintiff. No extrinsic evidence was given or needed to explain terms of art, or to apply the descriptions to the subject-matter, so that the court was able, from mere comparison, to say what was the invention described in each, and to affirm from such mere comparison whether the inventions were or were not the same. The question was, then, one of pure construction and not of evidence, and consequently was matter of law for the court, without any auxiliary fact to be passed upon by the jury.

"If, upon the state of the art as shown to exist by the prior patents, and upon a comparison of the older devices with those described in the patent in suit, it should appear that the patented claims are not novel, it becomes the duty of the court to so instruct the jury."

In support of Petitioner's contention that validity should be considered by this Court, reference is again made to this Court's decision in *Munch Gear Works, Inc., et al. v. Outhard, Mayne & Manufacturing Co., et al.*, 315 U. S. 759, 768, wherein this Court stated:

"We think the conclusion is inescapable that there was public use, or sale, of devices embodying the asserted invention, more than two years before it was first presented to the Patent Office. We are not foreclosed from a decision under § 4886 on the point by the obscurity of its presentation in the courts below. This issue has been fully presented to this Court by the petition for a writ of certiorari, and in subsequent briefs and argument; and there is not the slightest indication that respondents have been prejudiced by such obscurity. To sustain the claims in question upon

the established and admitted facts would require a plain disregard of the public interest sought to be safeguarded by the patent statutes, and so frequently present but so seldom adequately represented in patent litigation."

## Second Question — Contributory Infringement.

Respondent correctly states that when the control M-80, manufactured and sold by Petitioner, is installed by the purchaser, together with the other elements of Freeman's "advance in the art" not supplied by Petitioner, the Freeman patent is infringed. Respondent, however, ignores the fact that as the control M-80 is not per se covered by the Freeman patent, Petitioner, as well as the public generally, has the right to manufacture, sell and use it free from the limited monopoly of the Freeman patent.

While many decisions favorable to defendants charged with contributory infringement of patents have been primarily based upon the improper use of their patents by the plaintiffs, yet some of them have clearly held that one who furnishes an unpatented part knowing it will be used by the purchaser in connection with other parts to infringe a patent, is not legally a contributory infringer of the patent.

The Court of Appeals for the Second Circuit in *Phidax v. L. M. C.*, 197 F. (2d) 747, 748, stated with reference to the decisions of this Court in *Carbor v. American*, 283 U. S. 27, and *L. M. C. v. Barber*, 302 U. S. 458:

"...It is a well settled principle that one who presents an important barrier on one of the doors of contributory infringement as formerly understood, ... On contributory infringement the dividing line at present is between the case where one who sells a patented article exploits it in the ordinary manner, and the case where he employs it primarily as a means of suppressing competition in unpatented

materials used in connection with it. The present cases are obviously of the latter type."

In both the *Carbide* and the *Leitch* cases the defendants were charged with contributory infringement of the patents in those suits by reason of their sale of an unpatented part for use by the purchasers in infringing the patented inventions. This Court in both of said cases reversed the judgment of the lower courts that the defendants had been guilty of contributory infringement.

### Third Question — Improper Use of Freeman Patent.

Respondent contends that its practices in exacting from its licensees a royalty merely on one element, *viz.* a furnace control, of the Freeman system, and not upon the patented system, and in fixing the minimum selling prices of such element, are not improper because the said furnace control is the Freeman "advance in the art" or the "essence of Freeman's patent."

The furnace control is merely one of several elements constituting the Freeman system, all of which elements are essential to the "particular sequence of operations" which Respondent contends was Freeman's "advance in the art." The control would be useless without the other cooperating elements.

It is a well established principle of patent law that when a patented invention resides in a combination of co-operating elements, all of the elements; and no one of them alone, constitutes the "advance in the art" and the "essence of the patent."

This Court in *Schumaker v. Cornell*, 196 U. S. 549, 554, stated the law as follows:

"The patent is well entitled for an improvement. It could be for nothing more.

"Nothing is claimed separately. Every thing is claimed together and in the aggregate. If any thing

was withdrawn, and no equivalent supplied in its place, the instrument would be a failure. Each element is a part of a compound unit, and is necessary to the completeness and efficacy of the result."

This Court in *Rosell v. Lindsay*, 113 U. S. 97, 101, again stated the law upon this point as follows:

"The patent of the plaintiffs is for a combination only. None of the separate elements of which the combination is composed are claimed as the invention of the patentee, therefore none of them standing alone are included in the monopoly of the patent. As was said by Mr. Justice Bradley in the case of *The Corn Planter Patent*, 23 Wall. 181, 224: 'Where a patentee, after describing a machine, claims as his invention a certain combination of elements, or a certain device, or part of the machine, this is an implied declaration, as conclusive, so far as that patent is concerned, as if it were expressed, that the specific combination or thing claimed is the only part which the patentee regards as new. True, he or some other person may have a distinct patent for the portions not covered by this; but that will speak for itself. So far as the patent in question is concerned, the remaining parts are old or common and public.' See also *Merrill v. Yeomans*, 94 U. S. 568, 573; *Water Meter Co. v. Desper*, 101 U. S. 332, 337. *Wiley v. Brass Co.*, 104 U. S. 350. These authorities dispose of the contention of the plaintiff's counsel that their patent covers one of the separate elements which enters into the combination, namely, a slotted wooden beam, because, as they contend, that element is new, and is the original invention of the patentee."

This Court in its later decision in *Leeds & Catlin v. Fox*, 213 U. S. 301, 318, again stated the law as follows:

"Certainly, one element is not the combination, nor, in any proper sense can it be regarded as a substantive part of the invention represented by the com-

bination, and it can make no difference whether the element was always free or becomes free by the expiration of a prior patent, foreign or domestic."

The Court of Appeals, in view of the foregoing authorities, was in error, as a matter of law, in holding that the furnace control, which is only one of several cooperating elements of the combination in which Freeman's system resides, is the "advance in the art" or the "essence of Freeman's patent."

#### Fourth Question — Violation of Anti-Trust Laws.

While Respondent admits that it fixes the prices at which its licensees must sell the furnace control, one of the several elements of the Freeman patented system, it omits reference to the fact that it requires its licensees to purchase the furnace controls for use in the system from it. Respondent states its practice on page 49 of its catalog of 1940 (R. 795) as follows:

"The right to use the Systems protected by the following patents is only granted to the user by Minneapolis Honeywell Regulator Company when the particular controls as shown below are purchased from Minneapolis Honeywell Regulator Company and used in the Systems."

Consequently, Respondent ignores the direct conflict between the judgment of the Court of Appeals in the instant case with that of the Court of Appeals for the Third Circuit in *R.C.A. v. Lord*, 28 F. (2d) 257.

Respondent in asserting that it does not require its licensees to do anything whatsoever in regard to standard controls overlooks the fact that it fixes the prices of controls of other than its so-called "combination furnace control" (R. 1051).

Respondent urges that the decision of this Court in *U. S. v. Uniris Lens Co.*, 316 U. S. 241, supports as legal the practice of fixing prices on an unpatented article, namely, the lens blanks. This Court did not so hold, but held that the blanks in effect were a patented article, the sale of which precluded fixing the prices of the finished lens, on the ground that the sale of the lenses was merely a resale of the blanks.

This Court in its said decision did not have before it and did not approve of the practices of Respondent in requiring licensees to purchase an unpatented part from it, and in fixing prices on an unpatented element of a patented combination.

### CONCLUSION.

Petitioner submits that Respondent's brief does not meet the points nor the reasons presented in support of the petition for writ of certiorari.

Respectfully,

GEORGE L. WILKINSON,  
*Counsel for Petitioner.*

Chicago, Illinois,  
June 1st, 1943.